The Real Estate ANALYST

MARCH 30
1951

A concise easily digested periodic analysis based upon scientific research in real estate fundamentals and trends....Constantly measuring and reporting the basic economic factors responsible for changes in trends and values .... Current Studies .... Survey .... Forecasts

Volume XX

Number 15

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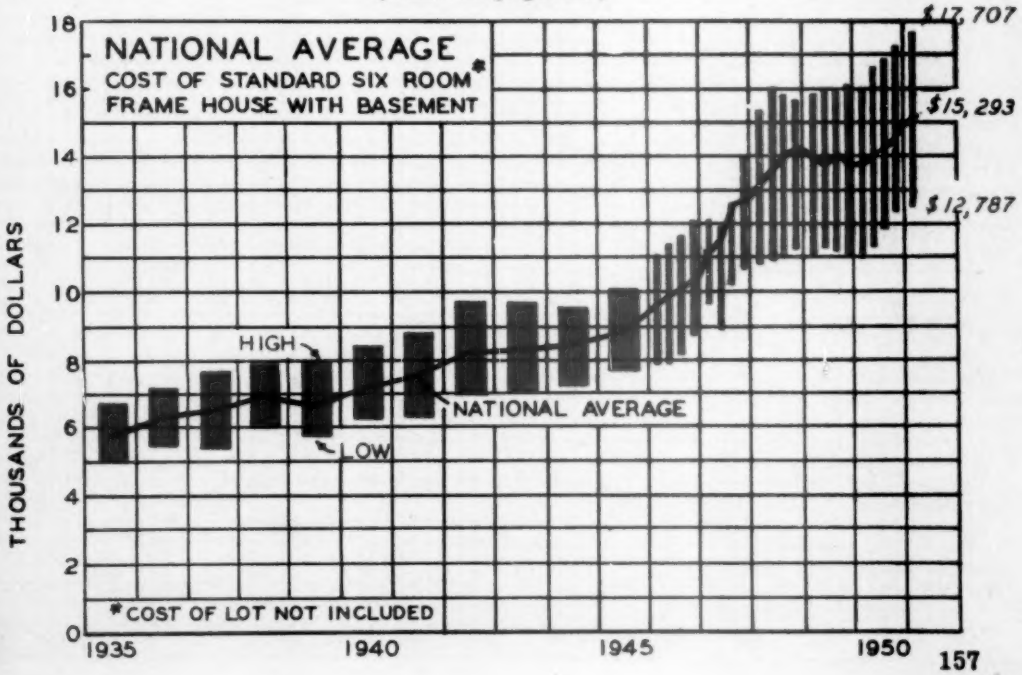
REAL ESTATE ECONOMISTS, APPRAISERS AND COUNSELORS

CONSTRUCTION COSTS REACH ANOTHER NEW HIGH

WE suppose that there was a time, long ago, when a new peak in construction costs had considerable news value, in a morbid sort of way. However, these new peaks have recently occurred with such dreadful monotony that this news value has declined drastically. From 1942 through 1950, construction costs reached new peaks in every year except one. In 1949 they were a trifle lower than the 1948 record. Nevertheless, they resumed their towering course to a short-lived new record in late 1950. This year, 1951, is barely under way, but already construction costs have reached upward for a new high.

Now as we have pointed out before, these strong and steady increases have been underwritten by super-liberal financing. Their effect on home buyers has thereby been largely minimized by being translated into a mere additional $6.60 per month per $1,000 increase (20-year, 5% loan). Consequently, when credit controls were applied to new construction we expressed the opinion that fewer families would enter the new home market and that, as a result, construction costs would drop off. While the first part of this statement is obviously true, it quickly

(cont. on page 162)



TOTAL CONSTRUCTION COSTS OF A STANDARD SIX ROOM FRAME HOUSE BY CITIES

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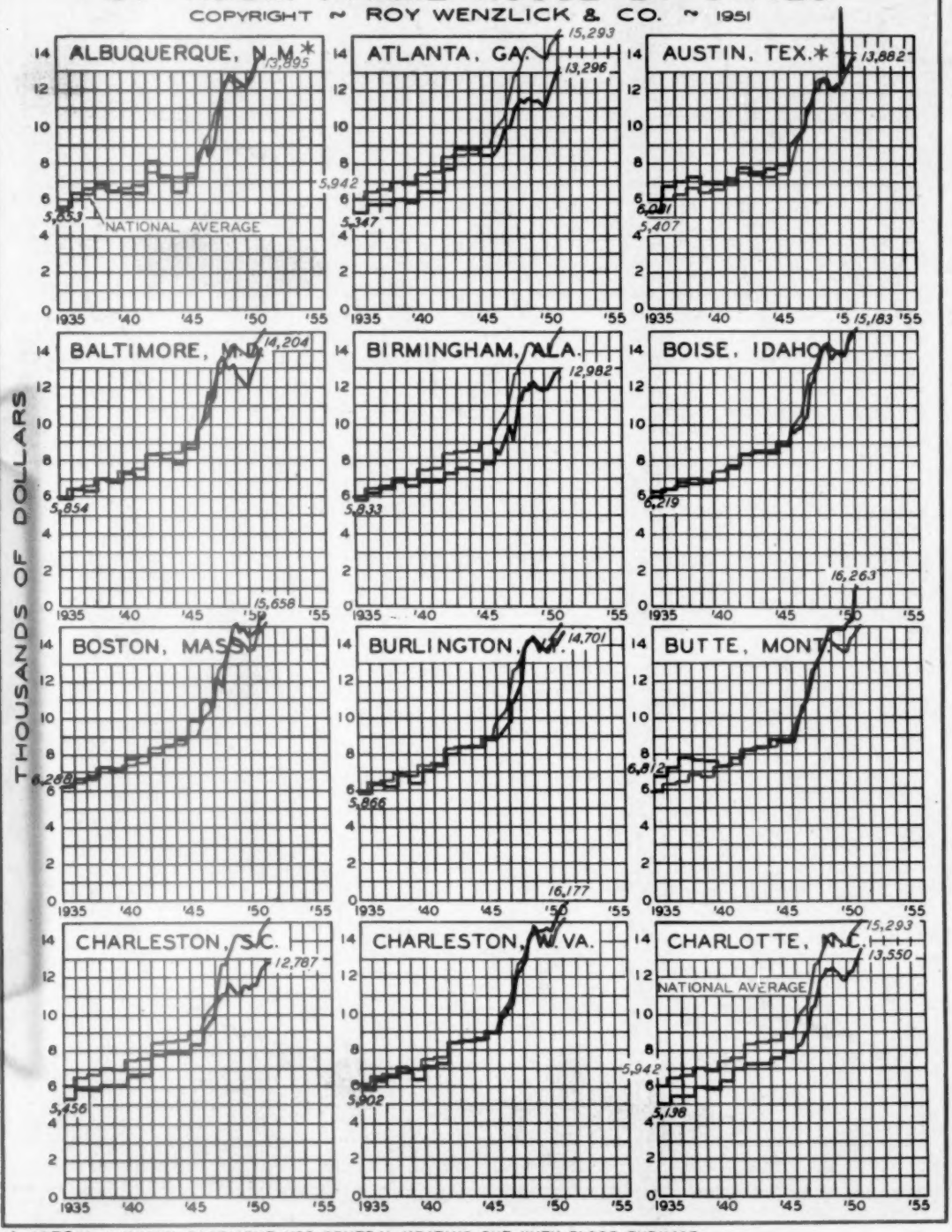

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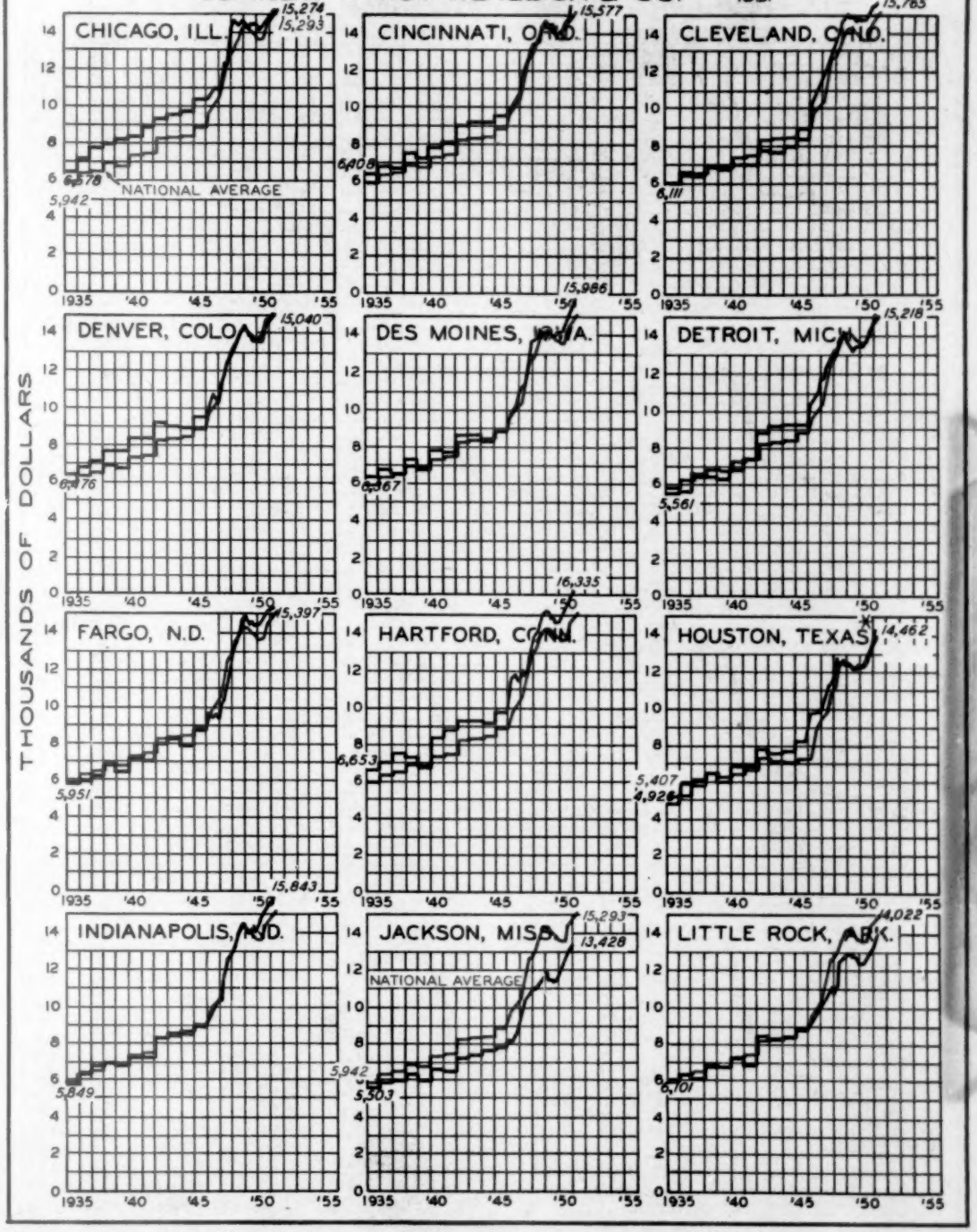

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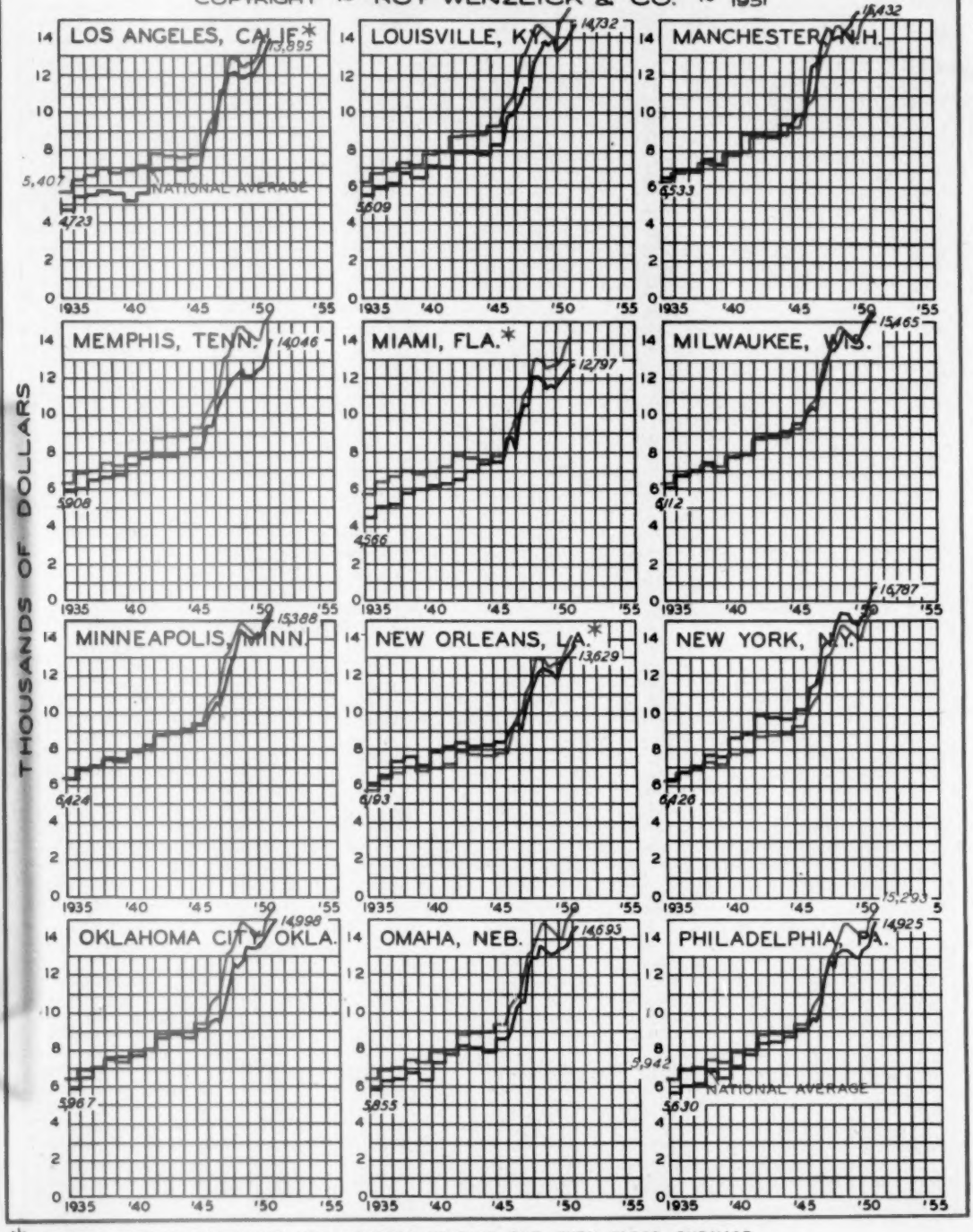

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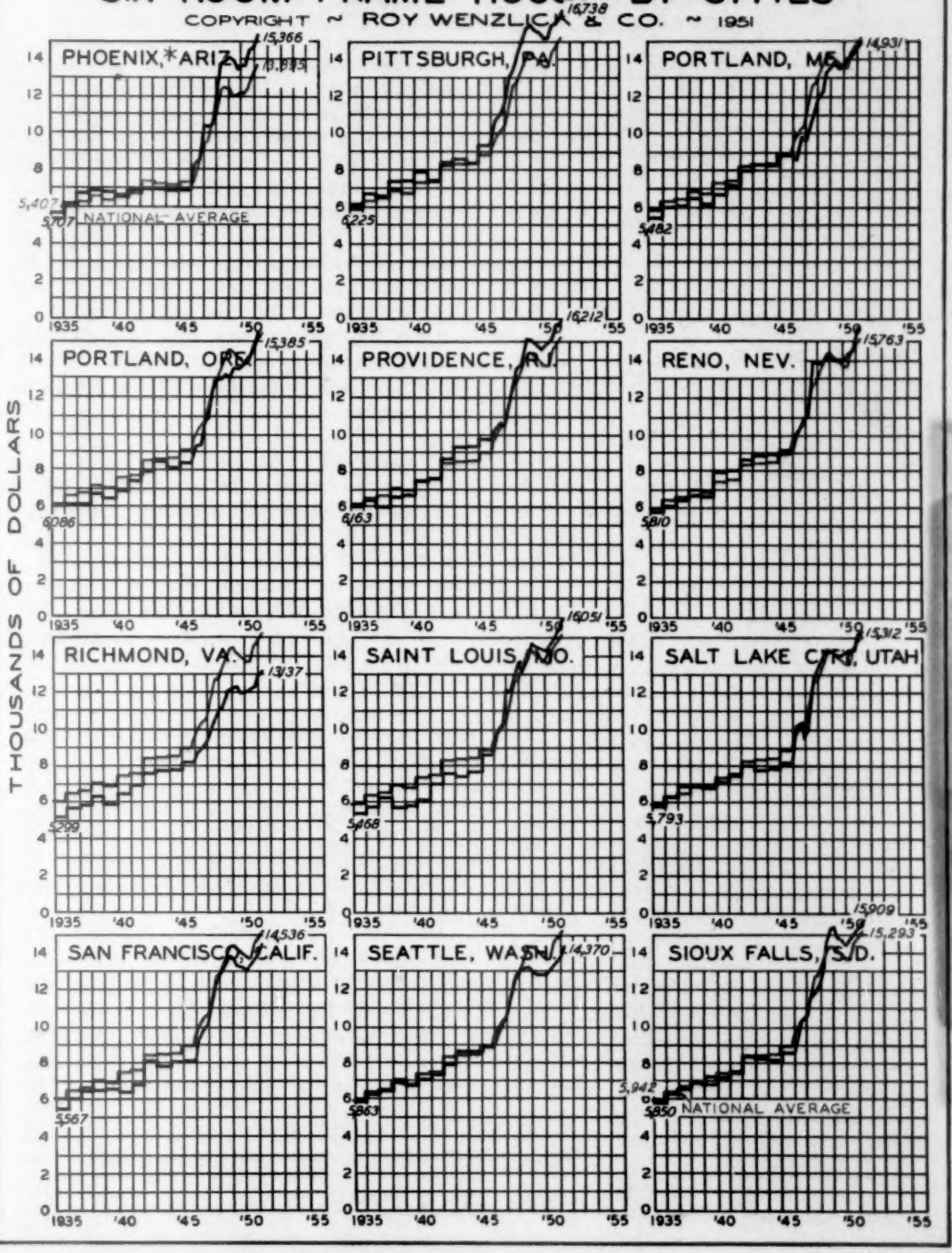

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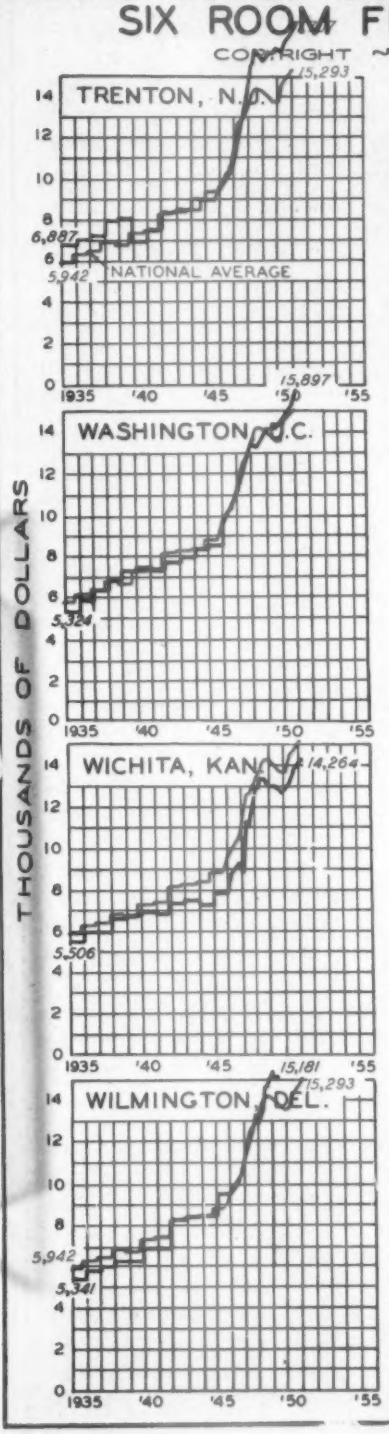


(cont. from page 157)

became apparent that our defense efforts would soak up any materials and labor left over from the diminishing level of civilian construction. Since the later part of 1950, we have been pointing out that we expect no worth while drops in construction costs, and that in all probability they would go higher. We still feel this way. Even though construction costs in the 52 major cities (charts on pages 158 through 162) have reached a new peak this month, we believe that they will go even higher. The rise will probably not be so steep as it has been since July 1950 and will perhaps level off during the last half of 1951. There is, however, very little in the foreseeable future to indicate lower costs.

Of the 52* major cities charted in this report, the costs of our six-room frame house reached the highest level in Trenton, New Jersey. The cost in Trenton was $17,707 in March 1951. There was a rise of only about 5% above the June 1950 figure of $16,875. Trenton costs on this house were 15% above the national average ($15,293; see chart on page 157). The lowest costs were found in Charleston, South Carolina, where the figure of $12,787 was about 16% below the national average.

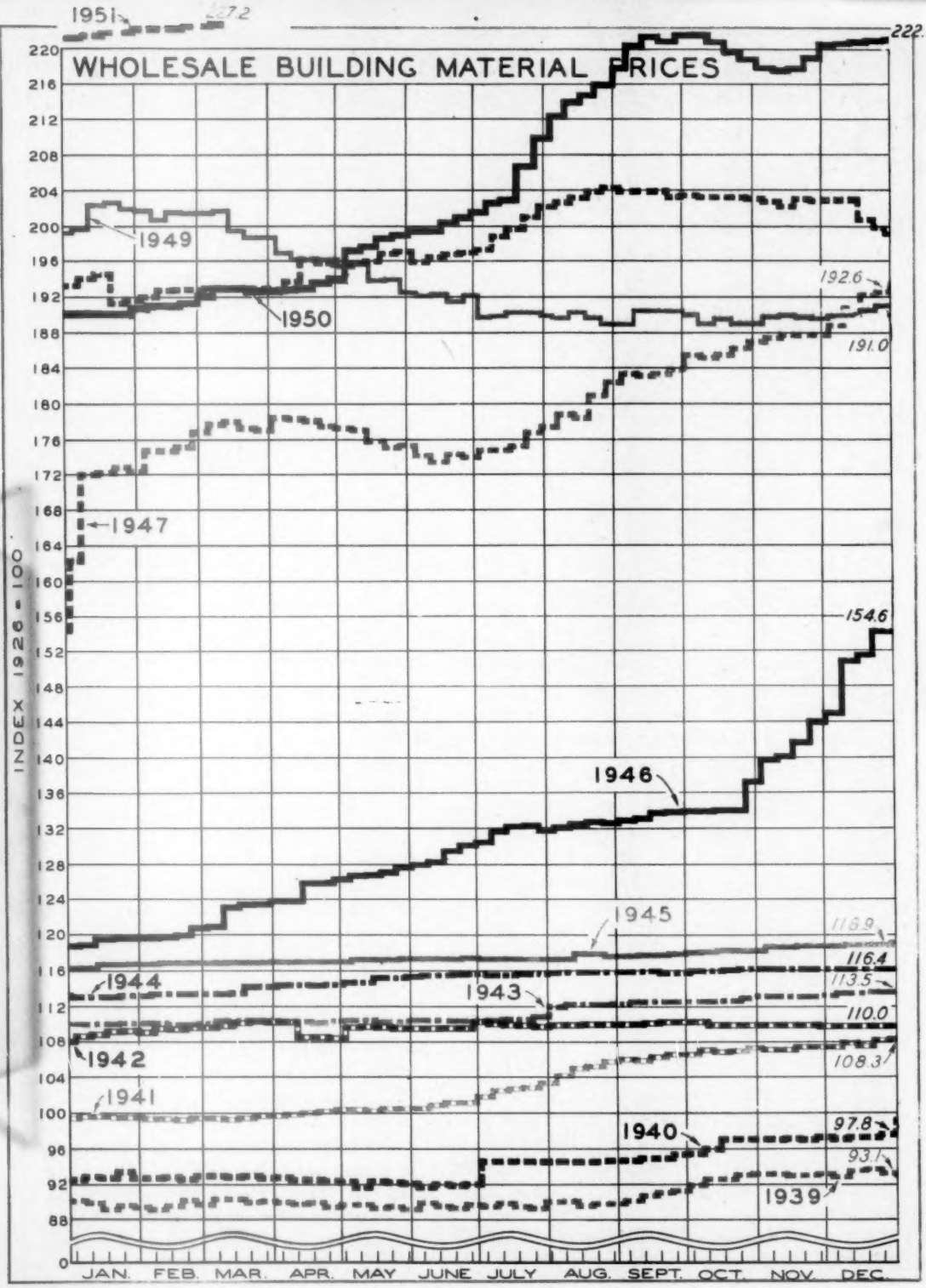
The cities where construction costs have shown the least increase since the second quarter of 1950 are located in the North - most of them in the Northeast. These cities and their cost increases are: Burlington, Vermont, 4% rise from the second quarter of 1950 to March 1951; Trenton, New Jersey, 5% rise; and Manchester, New Hampshire; Portland, Maine; Cleveland, Ohio; Butte, Montana; Salt Lake City, Utah; and Fargo, North Dakota, 6% rise. On the other hand, the largest cost increases were found in the booming construction cities of the South and West. Atlanta showed a rise of 14% in costs from the second quarter of 1950 to March 1951, Memphis and Houston each showed a rise of 13%, while Phoenix and Los Angeles each showed a rise of 12%.

Although virtually all labor costs have increased, the rise in building material costs seems to have been

*Recent data on Wilmington unavailable.

a good deal greater. One reason for this is the difficulty in measuring labor costs accurately. It is one thing to multiply the number of hours worked by the prevailing scale (thereby arriving at labor "costs") and quite another to refine these figures by making allowances for inefficiency, over-the-scale pay, premium pay, and other factors that add to labor's bill. In our calculating we figure straight time and 90% efficiency. We do this knowing it to be inaccurate but with the feeling that it would be impossible to make the necessary adjustments from one city to another. For example, there are some St. Louis contractors paying bricklayers $3.50 per hour and who feel certain that when good weather arrives they will have to guarantee Saturday work at double time. It would be an unending task to put such refinements into an index on a city-by-city basis and to vary it with the seasons of the year. Therefore, our labor costs are, in some instances, probably understated.

There seems little doubt that the building trades will soon win additional wage raises. Several trades in St. Louis are scheduled for raises this spring and, come what may, they will probably get them. This raise will undoubtedly send the labor cost on our six-room frame house to a new high. The comparison between labor costs and material costs is shown on the chart above. Notice that since Korea the material cost index has risen almost 20%, while the labor cost index has risen only 5%. This is the first time since 1945 that the material cost index of our house has risen more rapidly than have the labor costs. Notice that, on the other hand, the labor cost index is 184 points above its 1939 level, while the material cost index is 174 points above its 1939 level (even after the steep increases since Korea).


WHOLESALE BUILDING MATERIAL PRICES
INDEX 1926 = 100
1951
222.4
1949
1950
192.6
191.0
1947
154.6
1946
1945
118.9
116.4
1944
113.5
1943
110.0
1942
108.3
1941
1940
97.8
93.1
1939
JAN. FEB. MAR. APR. MAY JUNE JULY AUG. SEPT. OCT. NOV. DEC.

SUGGESTIONS FOR DEFENSE HOUSING

BECAUSE of the widespread interest in defense housing, we decided to figure the earnings on our 30-family apartment in accordance with FHA procedure.

There are two things we wanted to point out in this study: 1. How would this building fare under the FHA present $8,100-per-unit loan limit; and 2. What rent schedule would be necessary to net the 6½% return allowed by FHA.

To be sure, there are not many similar buildings being put up today, but it is still considered a modern building and its costs compare closely with those of apartments of similar size and quality.

As shown by the chart on page 166, the March 1951 cost of this building is $329,736. This is a cost of $1.09 per cubic foot, or $15.40 per square foot. The building is a 30-family fireproof apartment and is completely described in our Appraisal Bulletin of November 30, 1950.

If this building were erected today its cost would be right at $11,000 per unit (exclusive of ground). Thus we see that the $8,100-per-unit loan limit would hold the loan to a shade under 75%. It would cost $329,736 to build, but the insured loan could be only $243,000. Cash requirements would be something over $86,000 plus the ground.

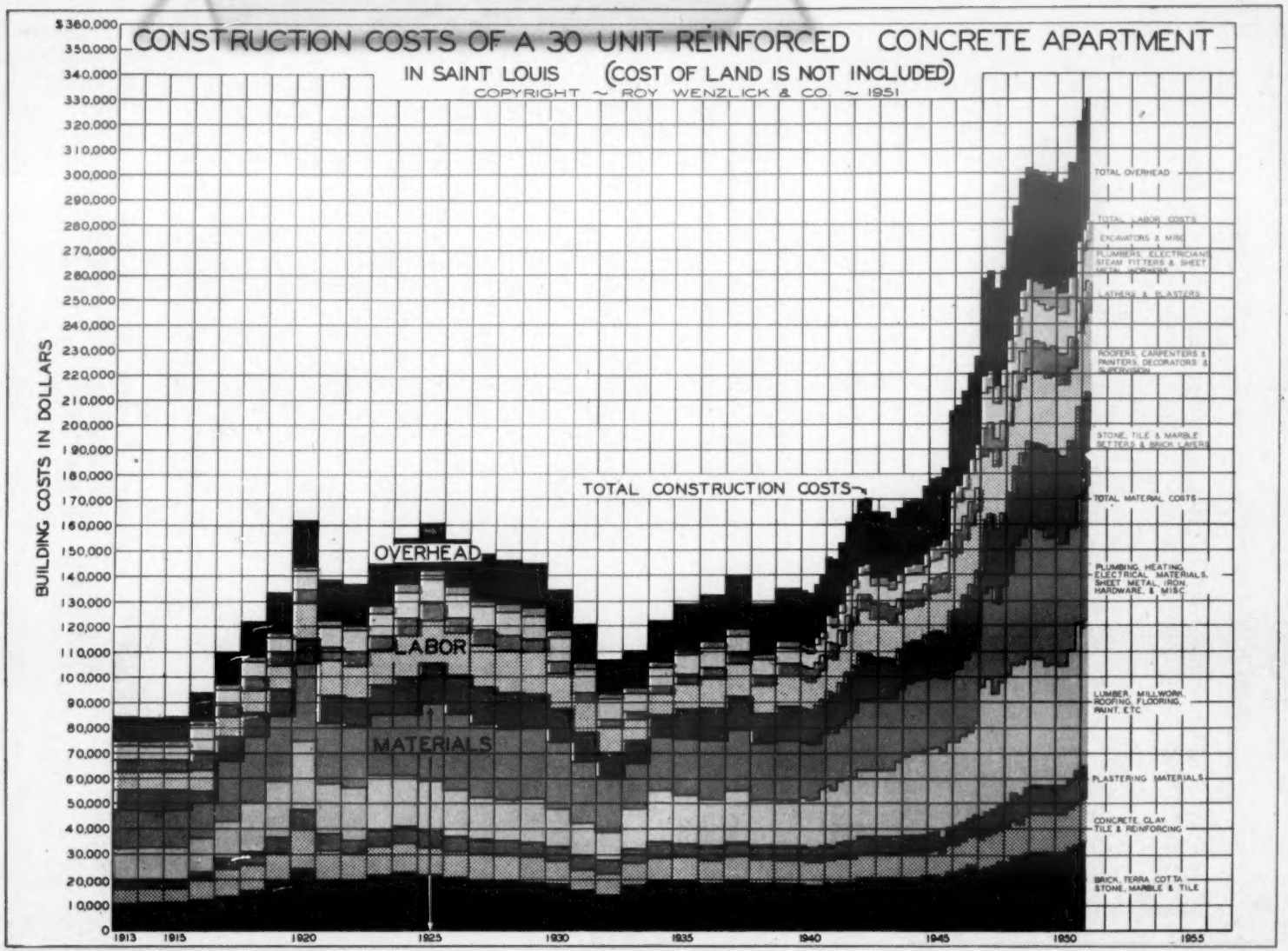
One doesn't have to be particularly acute to realize that any appreciable amount of defense housing is going to require lower costs, lower quality or more favorable financing. Any worth while lowering of costs is just not in the cards, so that leaves easier financing or lower quality as the only ways out. No doubt credit will be made easier and the quality of the buildings will not be up to that of our 30-family fireproof apartment. The $8,100-per-unit limit will most likely be raised to $9,000 in higher cost areas, and buildings costing something less than $10,000 per unit will be erected. In any event, it seems out of the question that anything as substantial as our 30-family apartment will go up in the guise of defense housing.

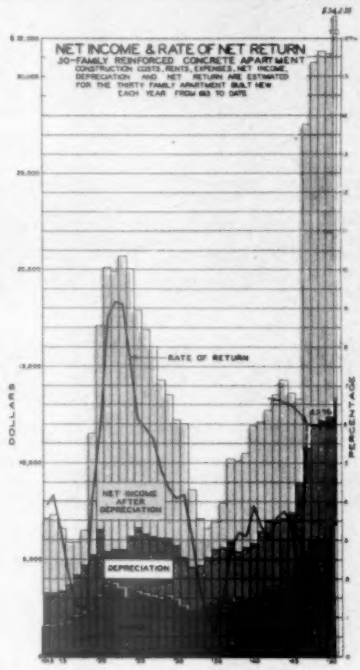
There is another very important consideration. How much will these buildings rent for? Or, equally pointed, how high a rent schedule is necessary to return the 6½% allowed by FHA. Well, in the case of our 30-family apartment the rent schedule would run $47,400 per year. This is figured after conferring with FHA on approximate operating and maintenance expenses and using FHA's allowable vacancy factor of 7%. This is almost $32.50 per room per month, and adds up to $97* for a 3-room unit, $130* for a 4-room unit, and $162* for a 5-room unit. Now obviously defense workers are not going to be able to pay that kind of rent and everybody knows that defense housing won't be allowed a rent schedule anywhere near as high as the one indicated.

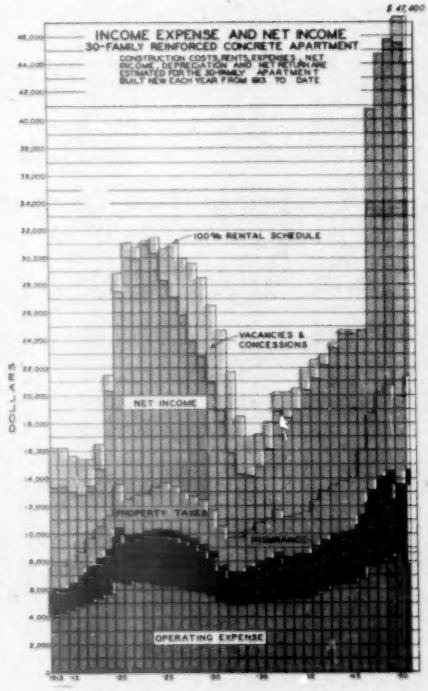
Let's consider the high cost of construction in comparison with the low rents most defense workers will expect to pay. Then let's try to envision what type of

(cont. on page 167)

*Includes heat, light, gas, water, refrigeration and janitor service.


CONSTRUCTION COSTS OF A 30 UNIT REINFORCED CONCRETE APARTMENT
IN SAINT LOUIS (COST OF LAND IS NOT INCLUDED)
COPYRIGHT ~ ROY WENZLICK & CO. ~ 1951
BUILDING COSTS IN DOLLARS
$360,000
350,000
340,000
330,000
320,000
310,000
300,000
290,000
280,000
270,000
260,000
250,000
240,000
230,000
220,000
210,000
200,000
190,000
180,000
170,000
160,000
150,000
140,000
130,000
120,000
110,000
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
1913
1915
1920
1925
1930
1935
1940
1945
1950
1955
TOTAL CONSTRUCTION COSTS
OVERHEAD
LABOR
MATERIALS
TOTAL OVERHEAD
TOTAL LABOR COSTS
EXCAVATORS & MISC.
PLUMBERS, ELECTRICIANS, STEAM FITTERS & SHEET METAL WORKERS
LATHERS & PLASTERS
ROOFERS, CARPENTERS & PAINTERS, DECORATORS & SUPERVISION
STONE, TILE & MARBLE SETTERS & BRICK LAYERS
TOTAL MATERIAL COSTS
PLUMBING, HEATING, ELECTRICAL MATERIALS, SHEET METAL, IRON, HARDWARE, & MISC.
LUMBER, MILLWORK, ROOFING, FLOORING, PAINT, ETC.
PLASTERING MATERIALS
CONCRETE, CLAY TILE & REINFORCING
BRICK, TERRA COTTA, STONE, MARBLE & TILE


NET INCOME & RATE OF NET RETURN
30-FAMILY REINFORCED CONCRETE APARTMENT
CONSTRUCTION COSTS, RENTS, EXPENSES, NET INCOME, DEPRECIATION AND NET RETURN ARE ESTIMATED FOR THE THIRTY FAMILY APARTMENT BUILT NEW EACH YEAR FROM 1913 TO DATE
RATE OF RETURN
NET INCOME AFTER DEPRECIATION
DEPRECIATION
DOLLARS
PERCENTAGE


INCOME EXPENSE AND NET INCOME
30-FAMILY REINFORCED CONCRETE APARTMENT
CONSTRUCTION COSTS, RENTS, EXPENSES, NET INCOME, DEPRECIATION AND NET RETURN ARE ESTIMATED FOR THE 30-FAMILY APARTMENT BUILT NEW EACH YEAR FROM 1913 TO DATE
100% RENTAL SCHEDULE
VACANCIES & CONCESSIONS
NET INCOME
PROPERTY TAXES
REPAIRS
OPERATING EXPENSE
DOLLARS

SUGGESTIONS FOR DEFENSE HOUSING
(cont. from page 165)

defense housing would be most suitable.

It seems to us that it would be unwise to try to do the job with multi-family buildings except in unusual cases. If the area is a "single purpose" area, perhaps the best way would be the erection of barracks or other temporary structures. By "single purpose" area we mean some area devoted to the manufacture of defense materials only. In this type of area the only reason workers would be there would be for the express purpose of manufacturing a particular product for the armed forces. Since the need for the product would be of a somewhat temporary nature, the housing for the workers should likewise be temporary.

In large industrial cities the case is entirely different. There are hundreds of different types of work the defense workers can switch to once the defense orders are filled. Consequently, there will be many of these inmigrants who will remain in the same location, and will simply take a different job. Once the defense effort is substantially scaled down, the chances are that many of the "single purpose" areas will go out of production and that the workers will leave. In some cases the plants will eventually be adapted to civilian production and put on a permanent basis. In these cases the permanent housing can be provided by private enterprise when the need for permanent housing becomes established.

Therefore, we see that two types of defense housing should be built. One should be of a permanent nature for the more concentrated areas and, in this instance, we would favor single-family residences sold on very liberal terms. The second should be more or less temporary, and attempts should be made to get around the shortcomings of the temporary housing of the last war. All of us know that many of these temporary installations were quite unpopular with the workers, and we believe that some middle ground can be found;

(cont. on page 172)

BUILDING COSTS OF A THIRTY-FAMILY REINFORCED CONCRETE APARTMENT HOUSE BUILT IN SAINT LOUIS

MATERIAL

1. Cost of face brick, dobies, flue lining, terra cotta, cut stone, marble and tile.
2. Cost of concrete, claytile and reinforcing.
3. Cost of all plastering materials.
4. Cost of all lumber, flooring, millwork, roofing, paint, etc.
5. Cost of all materials for plumbing, heating, electrical work, sheet metal work, iron work, hardware and special equipment.
6. TOTAL MATERIAL COST.

LABOR

7. Cost of setting all stone, tile and marble and laying all brick.
8. Cost of carpentry, roofing, flooring, painting, decorating, and builder's general supervision.
9. Cost of labor on plastering.
10. Cost of installing plumbing material and fixtures, wiring, heating plant and sheet metal work.
11. Cost of excavation and miscellaneous.
12. TOTAL LABOR COST.

OVERHEAD

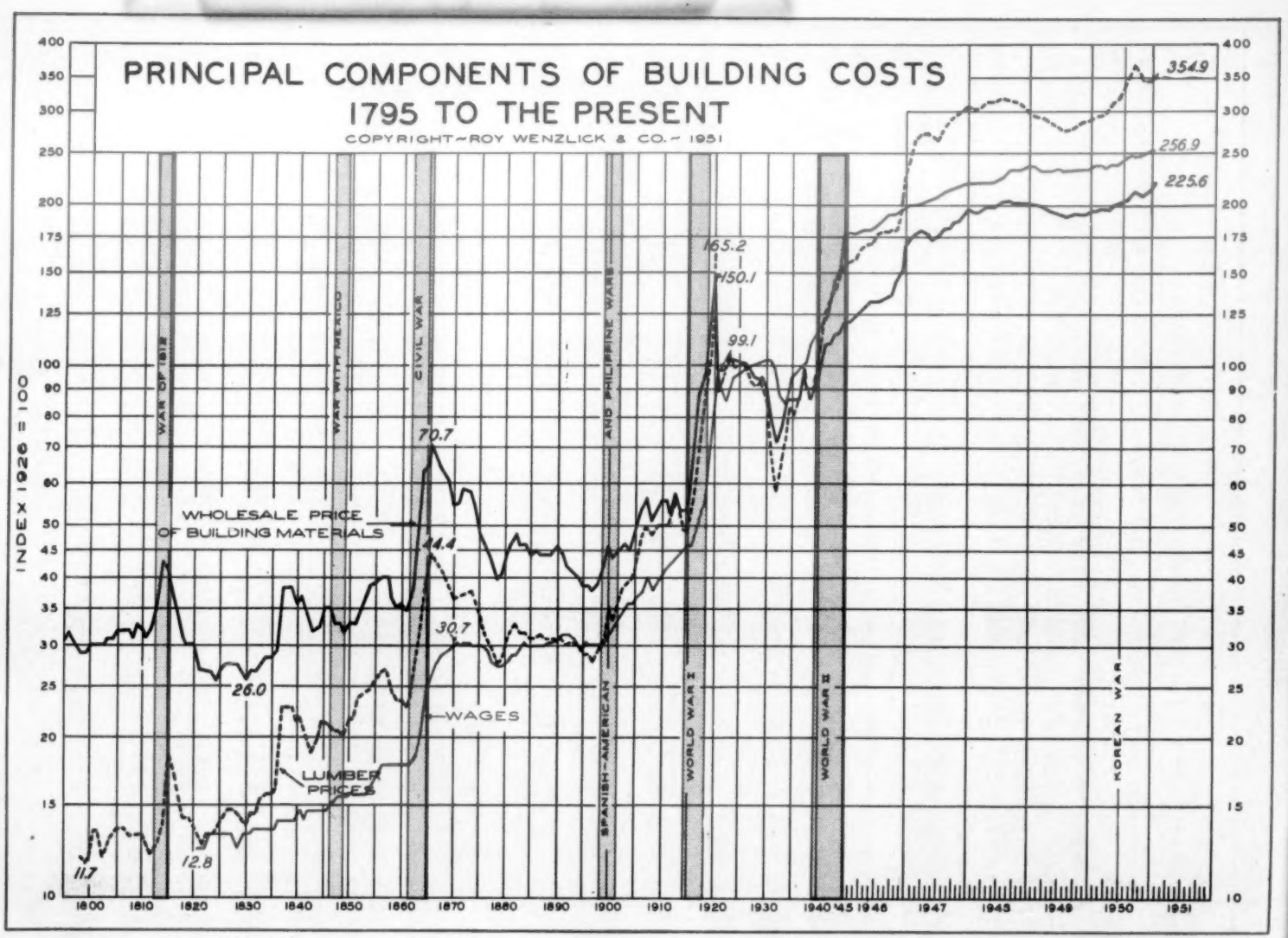
13. TOTAL OVERHEAD COST. This item includes cost of all city permits, utility connection costs, plans and engineering fees; cost of interest during construction and taxes and insurance; and estimated profit made by the builder - 7%.
14. TOTAL COST OF CONSTRUCTION.

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Cu. ft. cost	Sq. ft. cost
1913	$10,584	$ 5,977	$ 3,642	$12,537	$14,815	$47,555	$ 7,987	$ 7,217	$ 4,630	$ 5,367	$1,900	$27,101	$ 9,980	$ 84,564	27.9¢	$ 3.96
1914	10,654	5,427	3,642	12,659	13,865	46,247	7,987	7,277	4,630	5,367	1,900	27,161	9,798	83,206	27.4	3.89
1915	10,994	5,487	3,642	12,640	14,260	47,023	7,957	7,277	4,595	5,597	1,900	27,326	9,983	84,332	27.8	3.95
1916	12,184	7,389	3,587	13,336	18,296	54,792	8,307	7,326	4,690	5,777	1,900	28,000	10,918	93,710	30.9	4.38
1917	13,534	10,692	4,025	14,100	23,867	66,219	9,417	7,953	4,880	5,954	1,900	30,104	12,543	108,866	35.9	5.09
1918	15,724	10,157	5,396	19,330	25,974	76,581	9,574	8,600	5,020	6,084	1,900	31,178	13,763	121,522	40.0	5.69
1919	19,574	11,385	6,014	22,046	25,679	84,698	10,698	9,230	5,330	6,326	2,120	33,704	15,033	133,435	44.0	6.24
1920	24,210	15,110	7,938	27,558	30,608	105,424	10,351	13,261	5,090	7,414	2,710	38,826	17,953	162,203	53.4	7.59
1921	20,193	11,220	6,890	19,912	24,134	82,349	11,101	13,483	5,450	7,527	2,710	40,271	15,956	138,578	45.7	6.48
1922	20,281	10,010	6,359	20,818	23,655	81,123	11,024	12,528	5,560	8,044	2,710	39,866	15,838	136,827	45.1	6.40
1923	22,230	11,005	6,385	21,905	23,910	85,435	11,933	13,896	5,560	8,560	3,100	42,849	16,683	144,967	47.8	6.78
1924	23,130	10,955	6,730	19,885	24,583	85,283	14,538	16,213	6,840	10,067	3,380	51,058	17,918	154,259	50.8	7.22
1925	22,210	10,785	6,678	19,305	30,898	89,876	15,832	16,360	6,910	9,497	3,380	51,979	18,828	160,683	52.9	7.52
1926	21,046	10,240	6,029	18,192	30,475	85,982	15,162	18,440	6,100	9,205	3,380	50,287	18,323	154,592	50.9	7.23
1927	20,231	10,020	6,078	16,494	28,996	81,819	14,995	16,380	6,000	9,062	3,380	49,817	17,607	149,243	49.2	6.98
1928	19,754	10,020	5,893	16,227	28,035	79,929	14,474	16,380	5,720	9,315	3,380	49,269	17,347	146,545	48.3	6.86
1929	19,120	10,160	5,631	17,067	28,385	80,363	13,598	16,462	5,074	9,306	3,477	47,917	16,979	145,259	47.9	6.80
1930	18,630	8,973	5,952	14,737	26,499	74,791	13,489	13,536	4,537	9,296	3,160	43,998	16,106	134,895	44.4	6.31
1931	16,426	7,829	5,719	12,847	24,066	66,887	11,800	11,641	3,960	9,285	2,370	39,056	14,578	120,521	39.7	5.64
1932	14,416	8,015	5,796	11,813	21,354	61,394	9,819	10,090	3,270	7,826	2,080	33,085	13,075	107,554	35.4	5.03
1933	18,150	8,650	5,570	15,500	18,030	65,900	9,180	8,010	3,000	7,460	1,970	29,620	14,932	110,452	36.4	5.17
1934	19,950	9,050	6,600	19,890	21,100	76,590	9,180	8,010	3,000	7,460	1,970	29,620	15,922	122,132	40.3	5.71
1935	19,950	8,930	6,486	18,800	22,150	76,316	11,880	9,980	3,805	7,460	2,250	35,375	17,524	129,215	42.6	6.05
1936	19,480	9,180	5,700	17,600	23,250	75,210	12,700	11,650	4,300	7,460	2,815	38,925	18,531	132,666	43.7	6.21
1937	20,400	9,500	5,845	20,290	23,600	79,635	13,300	12,880	4,145	6,685	2,815	39,825	20,900	140,360	46.2	6.57
1938	18,620	9,300	5,670	17,770	22,420	73,870	11,750	11,100	3,820	6,100	2,250	35,020	19,775	128,665	42.4	6.02
1939	18,600	9,190	5,760	17,680	23,720	74,950	13,620	11,825	5,190	6,100	2,720	39,455	20,680	135,085	44.5	6.32
Ja 1940	18,570	9,220	5,810	18,850	21,750	74,200	13,540	11,200	5,340	6,100	2,815	38,995	20,829	134,024	44.2	6.27
Ap 1940	18,110	9,220	5,810	18,630	21,980	73,750	13,540	11,200	5,340	6,100	2,815	38,995	20,767	133,512	44.0	6.25
Jl 1940	18,110	9,160	5,810	18,860	21,980	73,920	14,590	11,200	5,690	6,800	2,815	41,095	21,221	136,236	44.9	6.37
O 1940	18,110	9,150	6,030	22,410	21,980	77,680	13,700	11,520	5,650	6,910	2,815	40,595	21,641	139,916	46.1	6.55

Ja	1941	19,050	9,270	6,030	22,800	22,500	79,650
Ap	1941	18,950	9,300	5,940	21,800	22,450	78,440
Jl	1941	19,400	9,320	6,530	24,250	22,450	81,950
O	1941	19,490	9,330	6,650	24,100	24,000	83,570
Ja	1942	19,490	9,330	6,704	24,850	25,800	86,174
Ap	1942	21,046	9,560	6,704	25,500	28,500	91,310
Jl	1942	21,046	9,560	6,704	25,200	28,500	91,010
O	1942	21,046	9,560	6,704	25,810	28,500	91,620
Ja	1943	21,046	9,560	6,540	25,900	28,500	91,546
Ap	1943	21,046	9,560	6,540	25,900	28,500	91,546
Jl	1943	21,046	9,560	6,540	25,900	28,500	91,546
O	1943	21,046	9,560	6,910	29,000	28,500	95,016
Ja	1944	21,046	9,560	6,910	31,250	28,500	97,266
Ap	1944	21,046	9,560	6,910	32,450	28,500	98,466
Jl	1944	21,046	9,560	7,000	32,450	28,500	98,556
O	1944	22,000	9,920	7,000	32,450	28,500	99,870
Ja	1945	22,400	9,920	7,000	33,100	28,500	100,920
Ap	1945	22,400	10,150	7,000	33,100	28,500	101,150
Jl	1945	21,425	9,574	6,825	33,619	28,403	99,846
O	1945	23,466	10,373	6,994	33,437	28,403	102,673
Ja	1946	23,487	10,465	7,047	33,437	29,073	103,509
Ap	1946	24,982	10,639	7,047	33,837	30,475	106,980
Jl	1946	26,623	11,039	7,054	34,220	32,303	111,239
O	1946	26,623	11,346	7,789	35,984	34,650	116,392
Ja	1947	24,013	12,278	9,399	51,120	36,814	133,624
Ap	1947	25,400	12,278	9,399	52,300	36,400	135,777
Jl	1947	25,510	12,700	9,405	46,100	36,200	129,915
O	1947	27,250	13,025	9,420	48,500	38,000	136,195
Ja	1948	27,450	13,400	10,400	50,450	39,600	141,300
Ap	1948	28,950	14,040	10,900	50,500	47,510	151,900
Jl	1948	29,400	13,950	10,900	51,500	49,600	155,350
O	1948	30,500	14,400	11,250	51,000	52,700	159,850
Ja	1949	31,200	14,700	11,250	50,100	51,600	158,850
Ap	1949	31,200	14,700	11,250	49,600	51,300	158,050
Jl	1949	31,200	14,700	11,250	46,900	50,800	154,850
O	1949	31,200	14,700	11,250	47,510	50,800	155,460
Ja	1950	31,200	14,700	11,250	47,510	48,000	152,660
Ap	1950	31,200	14,750	11,250	47,510	48,000	152,710
Jl	1950	33,116	15,203	11,250	50,484	48,994	158,997
O	1950	34,326	15,555	13,017	58,233	50,070	171,201
Ja	1951	35,336	15,692	13,017	55,631	52,143	172,019
Mr	1951	35,336	16,150	13,550	57,500	53,900	176,436

14,890	13,120	6,120	6,910	3,660	44,700
15,320	13,410	5,970	6,910	3,800	45,410
15,950	14,930	6,080	6,910	3,800	47,670
17,890	16,200	6,180	8,000	3,800	52,070
18,110	16,500	6,310	8,000	3,940	52,860
18,110	16,500	6,310	8,000	3,940	52,860
18,190	16,689	6,210	8,640	3,940	53,660
16,320	14,900	6,210	6,910	3,800	48,140
16,320	14,900	6,210	6,910	3,800	48,140
16,320	14,900	6,210	6,910	3,800	48,140
15,500	13,900	6,000	6,910	3,800	46,110
15,500	13,900	6,000	6,910	3,800	46,110
15,500	13,900	6,000	6,910	3,800	46,110
15,500	13,900	6,000	6,910	3,800	46,100
16,850	13,900	6,000	6,910	5,340	49,000
17,220	15,200	6,000	6,910	5,340	50,670
17,220	15,200	6,000	6,910	5,340	50,670
17,315	16,637	7,308	8,054	5,347	54,661
23,243	22,292	8,632	10,936	6,196	71,299
23,243	22,292	8,998	10,936	6,196	71,665
25,321	22,292	9,199	10,936	6,196	73,944
25,427	23,729	9,199	10,936	6,196	75,487
25,427	23,729	9,479	11,506	6,196	76,337
28,505	25,482	11,084	13,964	6,591	85,626
28,505	25,482	11,084	13,964	6,591	85,626
28,505	25,482	11,084	13,964	6,591	85,626
28,505	25,482	11,084	13,964	6,591	85,626
31,800	26,600	11,470	14,190	8,180	92,240
31,800	26,600	11,470	14,190	8,180	92,240
33,400	28,350	12,200	15,500	8,320	97,770
33,400	28,350	12,200	15,500	8,320	97,770
33,400	28,350	12,200	15,500	8,320	97,770
34,200	28,700	12,150	15,850	8,320	99,220
34,200	28,700	12,150	15,850	8,320	99,220
34,200	28,700	12,150	15,850	8,320	99,220
34,200	28,700	12,150	15,850	8,320	99,220
34,261	29,111	12,150	15,850	8,320	99,692
35,949	29,148	12,859	15,833	8,416	102,205
36,358	31,285	12,853	15,823	8,450	104,769
36,358	31,285	12,853	15,823	8,450	104,769

22,744	147,094	48.5	6.88
22,737	146,587	48.3	6.86
23,667	153,287	50.5	7.17
24,786	160,426	52.9	7.51
25,312	164,346	54.1	7.69
26,002	170,172	56.1	7.96
26,127	170,797	56.3	7.99
25,066	164,826	54.3	7.71
25,053	164,739	54.3	7.71
25,053	164,739	54.3	7.71
24,645	162,301	53.5	7.59
25,114	166,340	54.6	7.78
25,419	168,795	55.6	7.90
25,580	170,156	56.1	7.96
25,593	170,259	56.1	7.97
26,307	175,237	57.7	8.20
26,650	178,440	58.8	8.35
26,881	178,701	58.9	8.36
27,855	182,362	60.1	8.53
31,615	205,587	67.7	9.62
31,833	207,007	68.2	9.69
32,785	213,709	70.4	10.00
33,650	220,376	72.6	10.31
34,492	227,221	74.9	10.63
38,704	257,954	85.0	12.07
39,072	260,475	85.8	12.19
38,282	253,823	83.6	11.88
39,078	260,899	86.0	12.21
41,186	274,726	90.4	12.85
42,602	286,742	94.5	13.42
44,154	297,274	97.9	13.91
44,875	302,495	99.7	14.15
44,674	301,294	99.3	14.10
44,564	300,384	99.0	14.05
44,257	298,327	98.3	13.96
44,428	299,108	98.5	14.00
43,831	295,711	97.4	13.84
44,146	296,076	97.5	13.85
45,115	303,804	100.1	14.21
47,283	320,689	105.7	15.01
47,763	324,551	106.9	15.19
48,531	329,736	108.6	15.43


PRINCIPAL COMPONENTS OF BUILDING COSTS
1795 TO THE PRESENT
COPYRIGHT~ROY WENZLICK & CO.~ 1951
INDEX 1926 = 100
WAR OF 1812
WAR WITH MEXICO
CIVIL WAR
SPANISH-AMERICAN AND PHILIPPINE WARS
WORLD WAR I
WORLD WAR II
KOREAN WAR
WHOLESALE PRICE OF BUILDING MATERIALS
WAGES
LUMBER PRICES
70.7
44.4
30.7
26.0
12.8
11.7
165.2
150.1
99.1
354.9
256.9
225.6

PRICE RISE STARTED BEFORE KOREA

A great many of us have recently discussed various economic factors and indicators in terms of the Korean War. This is perfectly natural. The Korean War has been a dramatic upheaval with world-circling repercussions. Even if it ended today, its overtones would reverberate throughout the world for several years.

Earlier in this bulletin we discussed the various increases in construction costs since last July. What we don't want to lose sight of, however, is the fact that these costs and their different components had started rising long before the North Koreans moved South. The chart on the opposite page shows what we mean. Notice that wholesale lumber prices started rising strongly in the middle of 1949. Notice also that wholesale building material prices also started up at the same time (although in a more sedate manner). In a little more than a year (from mid-1949 to late 1950) the wholesale lumber price index rose almost 33%. It then dipped sharply, but has started inching upward once more. Building material prices have advanced about 23% since mid-1949. Of course, wages have been moving up all along, so in mid-1949 they simply continued their long-term trend.

We all remember that in the middle of 1949 the government liberalized housing credit to an even greater extent and the record-breaking building boom began. The quickly rising demand for homes was translated into a flood of orders for building materials. Supplies became short and prices started up. A year later, with demand for homes and material at an all-time peak and prices still moving up, scare buying, engendered by the Korean War, began. It's really not surprising that prices have reached their present level. There are some indications that the rise may be tapering off, but the full impact of our defense program and business expansion has not hit us yet.

Business and industrial expansion is scheduled to cost $24 billion in 1951. Naturally, not all of this will be construction work, but it is reasonable to expect that enough construction work will come out of it to take up the slack caused by government restrictions on credit and materials.

SUGGESTIONS FOR DEFENSE HOUSING

(cont. from page 167)

that is to say, there should be some alternative besides "camping out" and "living in the lap of luxury." One thing that would undoubtedly help keep the workers more contented with temporary housing would be to provide extensive recreational programs and facilities. Although we would not advocate such a policy as a permanent measure, people will put up with skimpy housing a lot longer if they have plenty of convenient recreation. In other words, if you only sleep and eat in a trailer, you can tolerate it a good deal longer than you could if you had to really live in it.

We believe that in the cities, substantial blocks of multi-family buildings should be erected only as a last resort. So far as possible, the in-migrant workers should be housed in single-family dwellings, preferably dispersed throughout the metropolitan area. This dispersal of families will have the outstanding advantage of dispersing the impact of the added families on the service and school facilities of the community. To spot 500 to 2,000 new single-family homes throughout a metropolitan area would result in some ineconomies. To begin with, the widespread operation would cause higher construction costs than if the whole group were built in a big cluster. On the other hand, as we have pointed out before, this extra expense would be more than offset by not having to provide a separate set of service facilities and schools. A program of this type would also result in locating new dwelling units in old neighborhoods, causing the new houses to depreciate in value much faster than they should. We doubt, however, whether this loss in value would be a fraction as great as the loss that would result from the erection of large-scale, high-cost rental units, quite possibly rented on a subsidized basis.

Providing new homes in dispersed locations would also have the advantage of allowing the small builder to contribute to and share in the defense housing program.

ERRATA

In the February Real Estate Analyst we published a series of charts showing changes in population growth in major metropolitan areas over the last ten decades. The chart on Sacramento, California, showed a growth of 357% above the national average during the 1940-1950 period. This was a mistake. Sacramento had a very fine growth during these ten years, but it reached only 200% above the national average. Therefore, Sacramento was <u>not</u> one of the five metropolitan areas with the greatest percentage increase above the national average (page 76, paragraph 3).

The small chart on page 61 was also labeled wrong. The correct title of this chart is "Typical Average Rate of Growth of Metropolitan Areas for Census Periods." The word "Annual" is what makes the title as we printed it incorrect. The figures shown are not "annual" changes. They are changes that took place in "<u>10-year</u>" periods.